

News Tracker:

-Natural gas spot prices rose at most locations for the Report Week of Wednesday, August 1 to Wednesday, August 8. Henry Hub spot prices rose from \$2.80/MMBtu to \$2.97/MMBtu from start to finish of the Report Week.

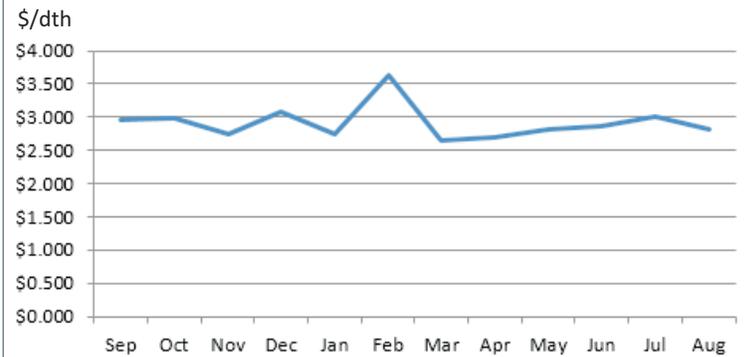
-At the New York Mercantile Exchange (Nymex), the September 2018 natural gas futures contract price rose 19¢ from \$2.758/MMBtu to \$2.949/MMBtu from open to close of the Report Week.

-Net natural gas injections are lower than the five-year average for the sixth week in a row. Net injections into storage totaled 46 Bcf for the week ending August 3, compared with the five-year (2013-17) average net injections of 53 Bcf and last year's net injections of 29 Bcf during the same week. Working gas stocks totaled 2,354 Bcf, which is 572 Bcf (20%) lower than the five-year average and 671 Bcf (22%) lower than last year at this time. Working gas stocks are below the five-year range for the second week in a row. The average rate of net injections into storage is 18% lower than the five-year average so far in the 2018 refill season. If working gas stocks match the five-year average rate of injections of 10.0 Bcf/d for the remainder of the refill season, inventories will total 3,243 Bcf on October 31, which is 317 Bcf lower than the five-year low of 3,560 Bcf. Despite historically low storage inventories, the average January 2019 futures contract price trades at a lower premium to the average spot price than last year at this time. Price differences between the spot price and the futures prices at the Nymex indicate limited economic incentives for net injections into working gas. During the most recent storage week, the natural gas spot price at the Henry Hub averaged \$2.79/MMBtu while the Nymex futures price of natural gas for delivery in January 2019 averaged \$3.04/MMBtu, 25¢/MMBtu higher than the spot price. Last year at this time, the January contract was 39¢/MMBtu higher than the spot price.

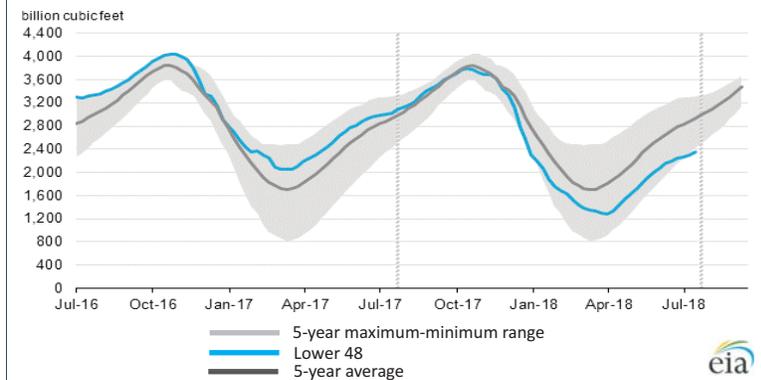
-According to Baker Hughes, for the week ending Tuesday, July 31, the natural gas rig count decreased by 3 to 183. The number of oil-directed rigs fell by 2 to 859. The total rig count decreased by 4, and it now stands at 1,044.

Excerpted from 

Monthly NYMEX Natural Gas Settle Price: Sep 2017 - Aug 2018:



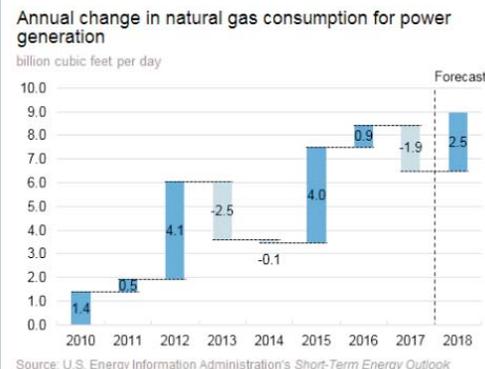
Working natural gas in underground storage as of August 3, 2018



Forward 12-month NYMEX natural gas strip price - Sep18-Aug19:

Process Load-weighted \$2.894/dth - w/o/w = ▲\$0.138
 Typical Heat Load-weighted \$2.991/dth - w/o/w = ▲\$0.149

July approaches record monthly natural gas use for power generation:



Natural gas consumption for power generation (power burn) this July approached the all-time record monthly level. PointLogic Energy estimates that July power burn averaged 36.9 billion cubic feet per day (Bcf/d). Data from the U.S. Energy Information Administration's Natural Gas Monthly indicate the highest average level of power burn in any month (through May 2018) was 37.2 Bcf/d in August 2016. July and August typically have the highest power burn because they are the hottest months, which generally results in high cooling demand. July's high power burn is consistent with long-term trends in natural gas consumption. Most natural gas consumption growth in recent years has come from the electric power and industrial sectors. From 2010 to 2017, power burn grew by an average of 0.8 Bcf/d annually, and industrial consumption of natural gas (including lease and plant fuel) grew by an average of 0.7 Bcf/d. Power burn is highly variable because it is based on weather and the dispatch prioritization, which is largely based on the price competitiveness of natural gas. Power burn reached 34.9 Bcf/d in July 2012, a monthly record that stood for several years. The unusually warm winter of 2011/2012, combined with rising levels of natural gas production, led to record-high storage inventories that caused low natural gas prices during the summer season and resulted in higher power burn. The same factors combined again in

2016 when high levels of natural gas in storage and rising production led to low natural gas prices and record levels of power burn. Although short-term price and supply considerations set the fuel mix for power generation, the long-term trend in the power sector is increasing generation of electricity from natural gas. The combination of relatively low natural gas prices, environmental regulations, and supportive renewable energy policies has led the industry to build new natural gas-fired and renewable capacity and to retire coal-fired power plants.

Excerpted from 

“Heat not a furnace for your foe so hot that it do singe yourself.” -William Shakespeare¹